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## THE WAR REVENUE ACT OF 1917

BY DANIEL C. ROPER,

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This article is written by me, not as Commissioner of Internal Revenue, nor as tax collector, but as a student of our mutual problems. I shall not undertake to recite in it all of the problems which confront us, in administering this law. Dr. T. S. Adams, who is so ably assisting in this work, has prepared for this issue of *THE ANNALS* an excellent article on this subject, as have also many other writers.

I shall not afflict you with the burdens that I see ahead in the way of administering this tax. To do so would be unkind. This may be illustrated by a little experience some years ago in a southern town. A tourist train rolled in to a town of some 2,000 population. One of the tourists, jumping off of the car, approached an aged colored man and said, "Will you tell me the population of this town?" "I don't know as I zackly understand what you mean, sir," the old man replied. "How many people live here, then?" "Well, sur, I don't know zackly,—'bout a million." The old darkey probably saw the future development of the town. This is quite analogous to the volume of problems which will confront us in the course of the administration of the new War Revenue Act.

This act is now the law of the land. It is a fundamental principle of democracy that the people shall tax themselves. The essential strength of democracy, especially in the time of war, lies in this fact. Through the passage of the War Revenue Act of 1917 the people by well-nigh unanimous vote of their chosen representatives in Congress have levied upon themselves additional tribute of substantially two and one-half billions of dollars to meet the war needs of their forces on land and sea.

For months the country and the Congress were divided in opinion as to methods of raising the money which all agreed was necessary for the common defense. The legislation enacted by Congress for financing the war has definitely settled all such differences. The greater part of the huge total sum immediately needed is to be raised by the sale of liberty bonds, thus allotting to our pos-

terity its fair share of the burden and deferring to more settled times its final distribution. The first two issues of liberty bonds, aggregating eight billions in amount, have been taken by the people with an alacrity that speaks the patriotic determination and enthusiasm of a united country and must reassure our defenders as it disturbs our foes. But the financial provision through the sale of bonds is not adequate to the needs of our great cause. In addition to this it is essential to our success and to the proper support of our sons who are risking their lives that the people of the United States immediately pay a large sum into the country's Treasury in the form of a liberty tax. This is no less essential than that of the liberty loan which this tax underlies and supports. The liberty tax represents that portion of the burden which we assume and discharge for ourselves while the liberty loan represents that portion of the burden which it is only fair for us to remit to those who shall come after us.

The law providing for this liberty tax has been determined upon by the people's representatives in Congress. It is law, but the actual administration and collection of the taxes is one of the greatest war tasks now confronting the people and the government.

This is no time to cavil at the manner of amounts of government expenditures. The government as well as business must gradually become adjusted to new conditions. Congress has acted, certain agencies have been charged with the duty of administering, others with the duty of expending. Both must act speedily and co-operatively for the enemy is at the door, liberty and its institutions are in imminent danger. The price of its defense cannot be excessive as related to the lives and happiness of our people.

This is the greatest tax levy ever undertaken in the United States. In more magnitude it surpasses any previous draft on the treasure of the people. It exceeds all others in the wide range of its provisions and in the variety of its incidences. But the purpose for which this tax is being raised is the most serious to which the Republic has ever been devoted. The need for every dollar of return due under the law is the need of continued national existence. And at the same time, the necessity of retarding or disturbing as little as possible the economic forces and operations of production and distribution was never before so imperative as now.

The problems of administering the War Revenue Act of 1917

are receiving most earnest consideration by the Secretary of the Treasury and his assistants. A policy has been outlined and the general principles to be observed have been established. This policy is to collect from every citizen the full amount which Congress has determined to be his just contribution to the nation's need with the least possible inconvenience to the citizen and the least possible disturbance to business and industry. Any other program or policy of administration would injure our cause and help the Kaiser.

There must be a way to administer this law constructively and this highway we will earnestly seek. It is essential to proper administration that each taxpayer shall be able to obtain accurate information as to the amount of tax due by him and the time, place and method provided for its rendition and payment. This is indispensable because the law puts upon the taxpayer the burden of making the returns upon which his tax is measured. It is likewise essential that each class of taxpayers be treated with intelligent regard for the circumstances by which they are personally affected, or which affect their businesses or avocations and to the end that the machinery of adjudication and collection be widely and uniformly diffused; that the correct construction of every part of the law be authoritatively determined and all doubts as to such construction be as far as possible removed; that the willingness of all classes of people to aid in the scrupulous observance of the law and their eager desire to be of service in helping to win the war be organized and utilized to promote the uniform and universal enforcement of the law; and that each citizen be given the utmost assurance that no other citizen will be permitted in any wise to evade the law which he himself is fully and loyally complying with.

To attain these ends is a task of organization and administration. The first step necessary is the reorganization of the Bureau of Internal Revenue at Washington. A veritable transformation is required to expand this branch of the Treasury Department to assume the greatly increased burden laid upon it by the War Revenue Act. For this purpose a new alignment of its forces has been projected, additional divisions have been created, responsibility and authority rearranged and defined and preparations made for a large increase of its personnel. The need of these things is forcefully evidenced by the fact that for the year 1918 it is reliably estimated

that there will be 6,350,000 income tax returns made to the bureau as against 780,000 for the year 1917. From its organization in 1862 until the passage of the corporation tax law in 1909 the bureau was constructed for collecting the taxes on fermented liquors and tobacco, requiring more of a policing procedure than is necessary now. We now need men especially trained in business administration and accounting lines—men who can intelligently approach and wisely deal with our complicated society. One phase of the reorganization of the bureau is of especial significance in this connection. Steps will be taken to bring the tax gathering machinery into closer touch with the best unofficial thought and with the public generally. It is hoped to accomplish this by the appointment of certain business men as advisors to the Commissioner of Internal Revenue on business conditions and by the creation of an office in the bureau to be known as Supervisor of Taxpayers' Coöperation.

On the twenty-fourth of October the Secretary of the Treasury announced that he would appoint certain persons as excess profits advisers on business conditions to assist the Commissioner of Internal Revenue in construing the excess profits provisions of the War Revenue Act. These will be men of high standing as economists and directors of business. They will bring to the administration the viewpoint of the taxpayer. It is not intended that these persons shall exercise administrative functions. Their task will be purely advisory. The earnest desire of the administration is that the excess profits tax may be so correctly and discreetly applied that each business enterprise may render to the government the full amount due, without embarrassment and without abatement of its productive power. This also is in recognition of the accepted necessity of treating special conditions in a special way.

The legal review advisers, the proposed appointment of whom was announced by the Secretary of the Treasury, simultaneously with that of the excess profits advisers, will be recruited also from unofficial life. Eminent representatives of the American bar will be given opportunity to give their service for advice to the Bureau of Internal Revenue. The new law presents many problems of construction and interpretation which are fraught with grave consequences to the public revenue and to business. These advisers will be an assurance to the country that these problems will not be dealt with in a narrow way, but that they will be solved in the light of

the broadest and most constructive legal knowledge and experience available.

The third new agency in the organization of the Bureau of Internal Revenue for following up this intimate association of business and government in the administration of this war revenue measure is the Supervisor of Taxpayers' Coöperation. His task will be to keep in touch with the public and collect and assimilate for the department business suggestions and also to diffuse correct interpretations of the law and administrative regulations through all possible channels to the taxpayer. In an informal way, a nation-wide organization of coöperation will be created. In furtherance of this plan the formation of local advisory committees will be encouraged through which it is hoped to enlist the voluntary assistance of patriotic citizens. This service must be purely unofficial and voluntary. As stated, these local committees will be composed of citizens volunteering their services to aid in facilitating the selective draft of wealth. It is proposed that these shall make a special study of the law and of the published aids furnished them from Washington. They will give information and advice to the taxpayers in their communities, direct local propaganda for coöperating with the government agents in the collection of the liberty taxes and keep the department informed regarding the general administration of the revenue law.

A most wholesome sign of the unity and patriotism of the American people is the manifest widespread desire to find a way in which the citizen may help the government in this critical hour. Thus it is the purpose of the government to invite the coöperation of all patriotic citizens in the full and fair performance of the great task of fairly administering and collecting the war tax—in that way to afford the citizens whom circumstances may require to remain at home an opportunity for real service in the great cause for which their sons and brothers are fighting. May we not hope to make the liberty tax, by reason of its patriotic purposes and by reason of the fairness and justness of its administration, a popular tax even as the liberty loan has been made a popular loan? As well stated in a splendid editorial in *The Saturday Evening Post*, "One of the finest things in the Civil War was the way in which citizens stepped up and paid their income taxes when they could have dodged them if

they had wanted to do so. We expect that chapter to be repeated in this war."

The literature which comes to me from this Academy is most instructive and effective and as the administration of the war tax law must largely be a campaign of education I earnestly solicit the continued sympathetic attention of your body to the important questions arising under it. It is probably the most important opportunity for patriotic endeavor now presented to you. Your country needs the character of advice which you are especially trained to give as much as it needs the service of the trained soldier at the front.